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## Comments

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## COMMENTS

### COPYRIGHTS—THE PROTECTION OF ADVERTISING.<sup>1</sup>

In the dynamic mechanism that is the American economy, advertising plays an immense and vital role. Indeed, in the year 1955, some nine billion dollars<sup>2</sup> was spent by the purveyors of consumer goods to stimulate the buying American public. Among scholars there is a great deal of conflict as to the real economic value of advertising,<sup>3</sup> but there can be little doubt that large scale promotional efforts will continue, regardless of the basic economic utility, and will exercise an evergrowing influence on the purchasing habits of the American consumer.<sup>4</sup>

As one would expect in an area which is continually developing in import and significance, there is a considerable body of legal writing on

1. This comment has been entered in the Nathan Burkan Memorial Competition on phases of copyright law.

2. *Printer's Ink*, February 10, 1956, p. 23.

3. See Brown, *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L. J. 1165, 1183 (1948), wherein the author suggests that the primary functions of advertising are to inform the public as to the nature of available goods and services, and secondly, to persuade them to purchase the given products as advertised. Later the author states: "if we consider first the total stream of production and consumption, persuasive advertising seems only to consume resources that might be put to better use producing more goods and services. It does not increase total demand, it only increases wants. . . . Effective demand comes not from what we would like to have, but from the purchasing power of the community created by its productive power. . . . We consume what we produce, and no more. Considering the economic welfare of the community as a whole, to use up part of the national product persuading people to buy product A rather than product B appears to be a waste of resources." Hotchkiss, *An Economic Defense of Advertising*, 15 AM. ECON. REV. 14, 18 (Supp. 1925). In this article the writer argues that the chief function of advertising is to educate, and that the dissemination of information about goods and services is in itself an economic utility. The theory being that an informed buyer is an efficient buyer. For a more recent and impartial appraisal of the economic utility of advertising see BACH, *ECONOMICS: AN INTRODUCTION TO ANALYSIS AND POLICY* 363 (1954). This author notes that, "For our advertising dollar (paid in the price of the product) we get Bob Hope, billboards, singing commercials, the funny papers, the New York Philharmonic. . . . Advertising expenditures make possible a 5 cent daily newspaper and a 15 cent Saturday Evening Post. . . ." He further states that whether or not this is the most efficient utilization of our resources is in dispute, but at least there are provided some services and the satisfaction of some wants.

4. LEARNED HAND, *THE SPIRIT OF LIBERTY* 172 (3d ed. 1960), ". . . the day has clearly gone forever of societies small enough for their members to have personal acquaintance with each other and to find their station through the appraisal of those who have any first hand knowledge of them. Publicity is an evil substitute, and the art of publicity is a black art; but it has come to stay and every year adds to its potency and to the finality of its judgments. The hand that rules the press, the radio, the screen, and the far-spread magazine rules the country; whether we like it or not, we must learn to accept it."

the topic of advertising. However, this reservoir of material deals primarily with the law regulating advertising which is fraudulent or otherwise contrary to public policy.<sup>5</sup> Articles concerned with the legal remedies available to the advertiser<sup>6</sup> to protect him from imitation or plagiarism of his advertisements are scarce and incomplete.<sup>7</sup> It will, therefore, be the purpose of this comment to examine the avenues of legal protection which are available to the advertiser, with a particular emphasis on the manner in which the application of the copyright laws afford unique and advantageous protection.

## I.

### THE DOCTRINE OF UNFAIR COMPETITION AND THE PROTECTION OF ADVERTISING

#### A.

#### Basic Elements of Unfair Competition.

With the development of advertising into an economic factor of substantial importance, the courts were faced with the problem of protecting the interests of the advertiser from imitation or plagiarism, which in modern times is extensive.<sup>8</sup> Absent statutory protection the unwary advertiser was left to the common law relief available under the doctrine of unfair competition.

The doctrine of unfair competition arose at common law as a method of protecting trademarks,<sup>9</sup> but the remedy it provides has been extended to afford protection in all cases where it appears that one has by fraud or deception, interfered with, or captured the business of a competitor.<sup>10</sup> Generally relief is granted in unfair competition cases only if the claimant can show that the public is being deceived into believing that defendants goods are those of the claimant,<sup>11</sup> although it has been held that it is not

5. Note, 56 COLUM. L. REV. 1018 (1956). This note contains a complete discussion of the regulation of advertising and an extensive codification of all federal and state statutory material in this area.

6. The term "advertiser" will be used in this comment to denote the owner of the property rights and interest in a given advertisement which will be legally recognized and accorded protection.

7. The principal articles in this area are: Borden, *Copyright of Advertising*, 35 KY. L.J. 205 (1947); Freedland, *Copyright Protection of Advertising*, 27 KY. L.J. 391 (1939); Savoid, *The extent of Copyright Protection for Advertising*, 16 NOTRE DAME LAW. 298 (1941).

8. Note, 45 HARV. L. REV. 542 (1932).

9. See, NIMS, UNFAIR COMPETITION AND TRADEMARKS § 1 (4th ed. 1947).

10. Hesse v. Grossman, 152 Cal.App.2d 526, 313 P.2d 625 (Dist. Ct. App. 1957); American Shops v. American Fashion Shops, 13 N.J.Super. 416, 80 A.2d 575 (App. Div. 1951).

11. Landis Machinery Co. v. Chaso Tool Co., 141 F.2d 800, 804 (6th Cir. 1944), wherein the court found no unfair competition as "there is no evidence that defendant made any effort to palm off its goods as those of the plaintiff." Haeger Potteries, Inc. v. Gilner Potteries, 123 F.Supp. 261, 268 (S.D. Cal. 1954). The court here followed and cited the test used by the California Courts, as follows: "... the essence of unfair competition lies in the simulation and imitation of goods

necessary to show actual deception, it being sufficient to establish that such deception will be the natural and probable consequence of defendant's acts.<sup>12</sup> However, actual or probable deception must be proved, and the test which has been adopted to measure this deception is whether the acts of the defendant are such as are calculated to deceive the ordinary purchaser, buying with such care as would usually be exercised in like transactions.<sup>13</sup>

In addition to proving a deception of the public to the detriment of the plaintiff, some jurisdictions have held that there must be a specific intent to deceive the buyer or the public.<sup>14</sup> Other jurisdictions have abandoned the requirement of intent and hold that it is sufficient to show injury to the plaintiff in conjunction with conduct that does in fact or tends to deceive the public.<sup>15</sup>

There is a further conflict existing as to the requirement of competition which must exist between the litigants. In some states before an action for unfair competition can be successfully pursued there must be a showing that the goods, services or business of the plaintiff and defendant were in actual competition,<sup>16</sup> that is, that the litigants deal in goods or services of the same kind and solicit the same customers simultaneously. There has been a more recent development which recognizes the value of the good will of the merchant or businessman and allows an action for unfair competition absent a showing of direct competition between the parties.<sup>17</sup> Of course, it is axiomatic that a stronger case will exist where the litigants are in direct competition for the same customers, for it is precisely in such cases that the basic requirement of confusion and deception of the purchaser will most readily be met.<sup>18</sup>

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of a rival or competitor with the purpose of deceiving the unwary public into buying the imitation under the impression that it is purchasing the goods of such competitor." For earlier cases on this point see *Yale Electric Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928); *Wall v. Rolls-Royce of America*, 4 F.2d 333 (3d Cir. 1925).

12. *Safeway Stores v. Rudner*, 246 F.2d 826 (9th Cir. 1957); *Ford Motor Co. v. Alltite Motor Products Co.*, 117 F.Supp. 460, 584 (N.D. Fla. 1954); *Squeezit Corp. v. Plastic Dispensers*, 31 N.J.Super. 217, 106 A.2d 322 (App. Div. 1954).

13. *American Photographic Publishing Co. v. Ziff-Davis Publishing Co.*, 135 F.2d 569 (7th Cir. 1943); *American Luggage Works v. United States Trucking Co.*, 158 F.Supp. 50 (D.C. Mass. 1957).

14. *Rathbone Sord & Co. v. Champion Still Range Co.*, 189 Fed. 26 (6th Cir. 1911); *Lamont Corliss & Co. v. Hershey*, 140 Fed. 765 (M.D. Pa. 1905).

15. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), held that the absence of fraudulent intent did not defeat a finding of unfair competition. *Lane Bryant v. Maternity Lane, Ltd. of California*, 173 F.2d 559 (9th Cir. 1949); *Nall v. Pennex Products Co.*, 4 F.R.D. 235 (W.D. Pa. 1943).

16. *Atlas Manufacturing Co. v. Street & Smith*, 204 Fed. 398 (8th Cir. 1913); *Layton Pure Food v. Church & Dwight*, 182 Fed. 35 (8th Cir. 1910); *Yellow Cab Co. v. Sachs*, 191 Cal. 238, 216 Pac. 33 (1923).

17. *Aunt Jamima Mills Co. v. Rigney Co.*, 247 Fed. 407 (2d Cir. 1917), *cert. denied*, 245 U.S. 672 (1918); *Lady Esther, Ltd. v. Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451, 46 N.E.2d 165 (1943).

18. However, when it is necessary to prove direct competition the chances of recovery are diminished.

## B.

## The Doctrine of Unfair Competition as Applied to Advertising.

The basic requirements for the existence of a cause of action for unfair competition apply with equal force to the use of advertising as a method of effecting such unfair competition. In the case of *Heuer v. Parkhill*,<sup>19</sup> the court, while finding unfair competition where a hotel operator simulated his competitor's advertising folder in an attempt to induce the public to support his hotel in preference to plaintiff's, summarized the law relating to the copying of advertising materials and unfair competition as follows:

"The general rule is that the appropriation of another's advertising matter or method is not of itself unfair competition, although it may become such where it induces or may induce the public to suppose that in dealing with the appropriator they are dealing with or obtaining the product or services of the originator."<sup>20</sup>

In an earlier case<sup>21</sup> in which plaintiff alleged unfair competition because *inter alia* defendant in the advertising of his products in newspapers and magazines had imitated advertisements published by the plaintiff, the court stated:

"We have carefully studied all of the exhibits in evidence and are convinced that no reasonable person previously acquainted with plaintiff's advertisements would be misled by anything appearing in the advertisements of defendant company. Unfair competition begins where imitation results in deception of the customers of the party complaining."<sup>22</sup>

The court here refused to find unfair competition, even admitting imitation, and held that the presence of distinctive trade names on the articles appearing in the advertisement was sufficient to prevent public deception.

The United States Supreme Court in announcing its decision in the case of *International News Service v. Associated Press*<sup>23</sup> seemed to give credit to the theory that imitation itself should be enjoined in an action for unfair competition. In this case plaintiff news service charged defendant news service with appropriation and subsequent republication of its news dispatches. The Court here reasoned that misappropriation can be condemned under the notion of unfair competition as readily as misrepresentation.<sup>24</sup> However, the broad doctrine announced has not been

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19. 114 F.Supp. 665 (W.D. Ark. 1953).

20. *Id.* at 670.

21. *International Heating Co. v. Oliver Oil Gas Burner & Machine Co.*, 288 Fed. 708 (8th Cir. 1923).

22. *Id.* at 711.

23. 248 U.S. 215 (1918).

24. *Id.* at 242.

followed.<sup>25</sup> Perhaps, as suggested by one writer,<sup>26</sup> the *International News* case will be limited to its facts, because in that case the defendant made use of the vendable commodity itself, the news, as well as imitating plaintiff's literary ability.

Thus, it appears that an advertising idea, scheme, or method, may be effectively used with impunity by an imitator and unless the advertiser can sustain the burden of proving actual or probable deception of the buying public he will have no protection under the doctrine of unfair competition. In jurisdictions which require the showing of fraudulent intent<sup>27</sup> and/or direct competition,<sup>28</sup> *a fortiori*, protection will be more elusive.

In addition, with an action for unfair competition, which sounds in tort, the advertiser must seek his relief in the state in which the cause of action arose,<sup>29</sup> thus introducing the element of uncertainty into any prospective protection. With the basic elements of the tort, deception, intent, and the requirement of competition varying among the jurisdictions, whether an advertiser will be protected from imitation will depend largely upon chance in a given case.

### C.

#### Remedies Available Under The Doctrine of Unfair Competition.

The advertiser who is successful in proving unfair competition has a wide range of remedies available. In an action at law, the plaintiff can recover for any loss he has suffered because of defendant's acts<sup>30</sup> and in addition he may recover punitive damages at the discretion of the court.<sup>31</sup> In equity, the plaintiff may obtain injunctive relief<sup>32</sup> or he may seek an accounting of defendant's profits<sup>33</sup> even in the absence of proof of any loss,<sup>34</sup> as the theory of an accounting is not based on the plaintiff's loss but rather on defendant's wrongful using of another's property.

However, it would seem that the remedy of accounting is of doubtful value in advertising cases, as generally it would be most difficult with current marketing and promotional schemes to estimate what part of any

25. *Associated Press v. Kvos, Inc.*, 80 F.2d 575 (9th Cir. 1935). In this case plaintiff's action was dismissed because the parties were not in direct competition; *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929), *Learned Hand, J.*, refused to apply the *International News* test.

26. Note, 45 HARV. L. REV. 545 (1932).

27. NIMS, UNFAIR COMPETITION AND TRADEMARKS, § 351 (4th ed. 1947).

28. NIMS, *op. cit. supra* note 27 § 9.

29. *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956), *cert. denied*, 352 U.S. 871 (1957).

30. NIMS, UNFAIR COMPETITION AND TRADEMARKS § 423 (4th ed. 1947).

31. *Truzzolino Food Products Co. v. F.W. Woolworth Co.*, 108 Mont. 408, 91 P.2d 415 (1939).

32. *Admiral Corp. v. Penco, Inc.*, 203 F.2d 517 (2d Cir. 1953); *Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F.2d 731 (9th Cir. 1951).

33. NIMS, UNFAIR COMPETITION AND TRADEMARKS § 424 (4th ed. 1947).

34. *Winifred Warren, Inc. v. Turner's Gowns, Ltd.*, 285 N.Y. 62, 32 N.E.2d 793 (1941).

new business has resulted from the use of plagiarized advertising, and further if there is a pattern of widespread advertising by defendant, only a part of which he has plagiarized, the problem of rationally estimating the profits realized by defendant's wrongful acts will be compounded. In this area the courts have uniformly held that where it appears that there is no rational rule by which the profits can be estimated, an accounting will be denied.<sup>35</sup> In addition to an accounting, equity may also order damages for any loss suffered by the plaintiffs.<sup>36</sup>

It would seem, therefore, that the uncertainty of relief for unfair competition is offset somewhat by the extended structure of remedies and damages available to the advertiser if he is able to sustain his claim of imitation or plagiarism.

## II.

### PROTECTION UNDER THE LAWS OF COPYRIGHT.

The framers of the United States Constitution granted to the Congress of the United States the power "to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries."<sup>37</sup>

Pursuant to this grant of power Congress has passed a number of copyright laws,<sup>38</sup> the latest of which grants to the author a private monopoly for a limited duration,<sup>39</sup> and the exclusive right to print, reprint, publish, copy, vend, and perform the copyrighted work for profit.<sup>40</sup> The purpose in granting such protection is to stimulate work and development in the arts and sciences and thus assure that the intellectual and aesthetic product of such authors will be made available for the edification of the public.

One will look in vain to find the word advertising included in the subject matter covered by the Copyright Act. Section 5<sup>41</sup> of the statute requires the author to specify to which class of subject matter his copyright belongs, and then lists some thirteen categories, none of which expressly refers to advertising. However, Section 5 concludes as follows: "the above specifications shall not be held to limit the subject matter of copyrights."<sup>42</sup> Thus it has been through the development of case law that advertising matter has been brought under the protection of the Copyright Laws.

35. *Ste. Pierre Smirnoff, Inc. v. Hirsch*, 109 F.Supp. 10 (S.D. Cal. 1952); *Forstmann Wollen Co. v. J.W. Mays, Inc.*, 89 F.Supp. 964 (E.D. N.Y. 1950); *Stern Apparel Corp. v. Raingard, Inc.*, 87 F.Supp. 621 (S.D. N.Y. 1949).

36. NIMS, UNFAIR COMPETITION AND TRADEMARKS § 424 (4th ed. 1947).

37. U.S. CONST. art. I, § 8.

38. 1 STAT. 124 (1790); 2 STAT. 171 (1802); 3 STAT. 481 (1819); 4 STAT. 436 (1831); 4 STAT. 728 (1834); 11 STAT. 138 (1856); 12 STAT. 130 (1861); 13 STAT. 540 (1865); 14 STAT. 395 (1867); 16 STAT. 198 (1870); 35 STAT. 1075 (1909).

39. 61 STAT. 652 (1947), 17 U.S.C. §§ 1-215 (1952).

40. 63 STAT. 154 (1949), 17 U.S.C. § 1 (Supp. 1952).

41. 61 STAT. 652, 17 U.S.C. § 5 (1952).

42. *Ibid.*

## A.

## Advertising as a Proper Subject of a Copyright.

The early American decisions took the position that advertisements were not entitled to copyright protection because they did not possess the requisite originality or artistic value demanded by the statute.<sup>43</sup>

However, the Supreme Court, in the landmark case of *Bleistein v. Donaldson Lithographing Co.*,<sup>44</sup> announced a new standard with respect to the artistic value and degree of originality required to entitle illustrated advertising to the protection of the copyright statutes. That case involved a circus poster portraying performers connected with the circus. The plaintiffs, having complied with the statutory requirements to obtain a copyright, sued the defendant for infringement. The United States Supreme Court, in granting the relief sought, specifically held that the material contained in the advertisement was a proper subject for a copyright. Mr. Justice Holmes, in announcing the opinion of the Court stated:

"Certainly works are not the less connected with fine arts because their pictorial quality attracts the crowd, and therefore gives them a real use, — if use means to increase trade and to help to make money. A picture is nonetheless a picture, and nonetheless a subject of copyright, that it is used for an advertisement. . . . It would be a dangerous undertaking for persons trained only in the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits."<sup>45</sup>

The United States Supreme Court thus decided that advertisements were a proper subject of copyright, and subsequent decisions<sup>46</sup> fully accepted the doctrine of the *Bleistein* case,<sup>47</sup> that the only critical test was the ultimate artistic merit of the advertisement in question, thereby in effect

43. *Higgins v. Keuffel*, 140 U.S. 428, 431 (1891). In this case Mr. Justice Field, in holding that a description label on a bottle was not subject to copyright, stated: "To be entitled to a copyright the article must have by itself some value as a composition, at least to the extent of serving some purpose other than as a mere advertisement or description of the subject to which it is attached." *Accord*, *J. L. Mott Iron Works v. Clow*, 82 Fed. 316 (7th Cir. 1897); *Ehret v. Price*, 10 Fed. 553 (D.C. N.Y. 1880). *Contra*, *Mutual Advertising Co. v. Refo*, 76 Fed. 961 (D.S.C. 1896); *Schumacher v. Schwencke*, 25 Fed. 466 (S.D. N.Y. 1889).

44. 188 U.S. 239 (1903).

45. *Id.* at 251. See *Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919), in which the United States Supreme Court, although not specifically passing upon the question, assumed the validity of a copyright of an advertisement containing pictorial illustrations of styles in women's apparel, thus in effect adhering to the standard established in the *Bleistein* case.

46. *Campbell v. Wireback*, 269 Fed. 372 (4th Cir. 1920), allowed a copyright of catalog cuts of orthopedic devices; *Stecher Lithographic Co. v. Dunston Lithographic Co.*, 233 Fed. 601 (W.D. N.Y. 1916), allowed a copyright on Lithographs of vegetable products; *J. H. White Mfg. Co. v. Shapiro*, 227 Fed. 957 (S.D. N.Y. 1915), allowed a copyright for catalog designs of brassware fixtures; *DaPrato Statuary Co. v. Guiliani Statuary Co.*, 189 Fed. 90 (C.C.D. Minn. 1911); *National Cloak & Suit Co. v. Kaufmann*, 189 Fed. 215 (N.D. Pa. 1911).

47. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).



equating the presence of any artistic value with the constitutional requirement that the work promote the "useful arts."<sup>48</sup>

It was not until the case of *Ansehl v. Puritan Pharmaceutical Co.*,<sup>49</sup> that the courts completely developed the scope of protection now available to the advertiser. The earlier cases had faithfully followed the rule set down in *Bleistein*,<sup>50</sup> that advertisements, if they possessed "some" artistic merit, were proper subjects of copyright. But the court in the *Ansehl* case,<sup>51</sup> in granting relief to the plaintiff for an infringement of a newspaper advertisement of his cosmetic and toilet articles, did not merely recognize the author's property rights in an advertisement as rights in a product that had artistic value per se, but recognized and protected property rights in the nature of the words used and in the arrangement of the materials.<sup>52</sup> The language of the court was as follows:

"The defendants might appropriate the ideas and express them in their own pictures and in their own language, but they could not appropriate the plaintiff's advertisement by copying his arrangement of materials, his illustrations and language, and thereby create substantially the same composition in substantially the same manner without subjecting themselves to liability for infringement."<sup>53</sup>

Since the *Ansehl* case,<sup>54</sup> a particular arrangement of a subject and its materials that is original in the sense that it has not been copied from another work of the same character,<sup>55</sup> and which contains "any" literary or artistic merit, would seem to be the proper subject of a copyright.<sup>56</sup>

Indeed, at least one court<sup>57</sup> has taken cognizance of the real test that the courts are in fact using, although often disguised in such terms as originality and aesthetic value, when in allowing an infringement action for a simple advertisement the judge candidly noted that the arrange-

48. *Fargo Mercantile Co. v. Brechet & Richter Co.*, 295 Fed. 823 (8th Cir. 1924); *No-Leak-O Piston Ring Co. v. Norris*, 277 Fed. 951 (4th Cir. 1921), *affirming* 271 Fed. 536 (D.C. Md. 1921); *Golden Rule, Inc. v. B.V.D. Co.* 242 Fed. 929 (8th Cir. 1917).

49. 61 F.2d 131 (8th Cir. 1932).

50. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

51. *Ansehl v. Puritan Pharmaceutical Co.*, 61 F.2d 131 (8th Cir. 1932).

52. It has been suggested that the application of this doctrine creates a difficult problem of distinguishing between imitation of arrangement which may constitute infringement and imitation of general method which would seem permissible. See Note, 46 HARV. L. REV. 332 (1933).

53. *Ansehl v. Puritan Pharmaceutical Co.*, 61 F.2d 131, 138 (8th Cir. 1932).

54. *Ansehl v. Puritan Pharmaceutical Co.*, *supra* note 53.

55. COPINGER, LAW OF COPYRIGHT 75 (6th ed. 1927).

56. On the proposition that it requires at least a low degree of originality and artistic or literary value to allow the copyright of an advertisement see *Comptone Co., Ltd. v. Rayex Corp.*, 251 F.2d 487 (2d Cir. 1958) wherein posters advertising sunglasses were held subject to copyright protection; *Silvers v. Russell*, 113 F.Supp. 119 (S.D. Cal. 1953) in which a label of a dancing girl on a phonograph record was held copyrightable for advertisement purposes; *Gordon v. Weir*, 111 F.Supp. 117 (E.D. Mich. 1953), where an original advertisement of a dot-counting contest was held to be copyrightable.

57. *Deward & Rich, Inc. v. Bristol Savings & Loan Co.*, 29 F.Supp. 777 (W.D. Va. 1939).

ment of the illustration and text possessed the power to "catch and hold a readers eye." It is submitted that this, after all, is a proper function of advertising to "catch and hold the readers eye," and that it does not appear that the Supreme Court in announcing its decision in the *Bleistein* case,<sup>58</sup> in response to commercial reality, had any other test in mind.

It has been suggested by one writer<sup>59</sup> that the use of advertising on radio is analogous to the use of dramatic materials and its use may not be a publication under the requirement of the copyright laws.<sup>60</sup> Presumably the author would make the same argument in relation to television commercials.

There has been no direct holding on this narrow point, although the court in the case of *Uproar Co. v. National Broadcasting Co.*,<sup>61</sup> held that the radio production of original scripts for advertising did not constitute such publication as to divest the author of his common law copyright.<sup>62</sup> However, it should be noted that in this case the popular comedian Ed Wynn was commissioned to write and to perform the scripts not solely as advertisements, but rather as an embodiment of an entire entertainment segment of the program in which the advertising was incidentally interspersed throughout the scripts.

It would seem clear that the use of spot commercials on radio and television can clearly be distinguished from the holding in this case; and although such commercials often do contain an element of humor and entertainment, they are primarily informative and persuasive, and their function, as in the case of printed materials, is clearly to catch and hold the mind's eye of the public.

Indeed, materials broadcast on the radio have been allowed the protective mantle of the copyright laws,<sup>63</sup> and in the area most analogous to television commercials, statutory copyrighting of motion pictures has long been allowed.<sup>64</sup> The court in *Metro-Goldwyn-Mayer Distrib. Corp. v. Bijou Theatre Co.*,<sup>65</sup> in declaring that motion pictures came within the copyright statute, stated that ". . . Motion Picture Photoplay Films are either dramatic works entitled to protection under subdivision (d) . . . or they are non dramatic works entitled to protection under subdivision (b)."<sup>66</sup> The right to copyright protection has also been construed to

58. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

59. Borden, *Copyright of Advertising*, 35 Ky. L.J. 205 (1947).

60. 61 STAT. 652 (1947), 17 U.S.C. § 1 (1952).

61. 81 F.2d 373 (1st Cir. 1936).

62. At common law the author of an original product of intellectual labor who reduces the same to a tangible form has a protected copyright in the work until such time as he makes a general publication thereof, and then he is held to have dedicated his work to the public and he loses all his protection. *Warner Bros. Pictures v. Columbia Broadcasting Sys.* 102 F.Supp. 141 (D.C. Cal. 1951); *Krait v. Cohen*, 32 F.Supp. 821 (E.D. Pa. 1940), *rev'd on other grounds*, 117 F.2d 579 (1941).

63. *Jerome H. Remick & Co. v. American Automobile Accessories Co.*, 5 F.2d 411 (6th Cir. 1925), *cert denied*, 269 U.S. 556 (1925).

64. *Patterson v. Century Productions, Inc.*, 93 F.2d 489 (2d Cir. 1937), *Cert. denied*, 303 U.S. 655 (1938).

65. 3 F.Supp. 66 (D.C. Mass. 1933).

66. *Id.* at 73.

cover motion picture shorts consisting of comedy material with little or no plot; the court considering that the reduction of such material to motion pictures was a dramatization within the meaning of the statute.<sup>67</sup> It should be noted that the infringements found in the radio and movie cases were of the authors' exclusive right to perform publicly for profit.<sup>68</sup>

It appears, therefore, that arguing from the holdings in the radio and movie cases, it could be found that advertising materials which are broadcast on radio and television would be the proper subject of copyright protection if they were imitated or broadcast without authority by another publicly and for profit. Whether the expectation of sales and the development of good will anticipated by the subsequent unauthorized advertiser would constitute the requisite profit is a problem that the courts must decide; however, it would appear that by any sophisticated view of commercial realities such expectation would constitute profit.

In addition it is clear that the tendency of the modern cases is to increase rather than restrict the subject matter of copyright,<sup>69</sup> and in line with this tendency and the doctrine dictated in *Bleistein*<sup>70</sup> and later cases, it seems that the preferable view would be to allow copyright of advertising materials that are broadcast over radio and television.

It is now apparent that advertising if properly brought within the requirements of the copyright law as to notice<sup>71</sup> and registration,<sup>72</sup> will be granted the protection from imitation available under the federal statute.

## B.

### Procurement of a copyright.

The basic elements necessary to procure copyright protection under the present statute are a publishing of the work with a notice of copyright<sup>73</sup> and registration. The registration requirement under the law<sup>74</sup> is not a *sine qua non* to the existence of a valid copyright, however,<sup>75</sup> but merely exists as a condition precedent to the bringing of a cause of action for infringement.<sup>76</sup>

67. *Vitophone Corp. v. Hutchison Amusement Co.*, 19 F.Supp. 359 (D.C. Mass. 1937) *remanded on other grounds*, 93 F.2d 176 (1937).

68. For a complete discussion of the problems involved in this area see Burbank, *Television—A Performance for Profit?*, 5 COPYRIGHT LAW SYMPOSIUM 133 (1953).

69. *Ansehl v. Puritan Pharmaceutical Co.*, 61 F.2d 131 (8th Cir. 1932).

70. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

71. 68 STAT. 1032 (1954), 17 U.S.C. § 19 (Supp. 1952).

72. 61 STAT. 652 (1947), 17 U.S.C. §§ 1-28 (1952).

73. 61 STAT. 652 (1947), 17 U.S.C. § 10 (1952); *Davenport Quigley Expedition, Inc. v. Century Productions, Inc.*, 18 F.Supp. 974 (S.D. N.Y. 1937).

74. 61 STAT. 652 (1947), 17 U.S.C. § 13 (1952).

75. *Washington Publishing Co. v. Pearson*, 306 U.S. 30 (1939).

76. 61 STAT. 652 (1947), 17 U.S.C. § 13 (1952); *Dan Kastoff, Inc. v. Palmer Jewelry Mfg. Co.*, 171 F.Supp. 602 (S.D. N.Y. 1959).

Publication is generally held to occur at the earliest date of unrestricted sale or distribution of copies of the first authorized edition by the owner of the copyright.<sup>77</sup>

Probably the most important single requirement for obtaining a copyright is notice, and rigid compliance as to form and location of the copyright notice is essential since a publication without the requisite notice constitutes a dedication to the public, and a loss of all copyright protection either at common law or under the statutes.<sup>78</sup>

Section 14<sup>79</sup> of the federal statute provides that on failure to deposit the required copies of the subject of the copyright the Registrar of Copyrights may at any time subsequent to publication require that the owner of the copyright deposit the required copies, and in default of such demand there may be a \$100 fine and the copyright shall become void. However, this section appears to be seldom invoked, and the dictum of at least two cases suggests that even in the case of default under Section 14<sup>80</sup> there would be no automatic forfeiture of rights without the bringing of an action by the registrar to have the copyright declared void.<sup>81</sup>

### C.

#### Infringement of the Copyright.

The copyright law does not protect ideas *per se*,<sup>82</sup> but only the particular expression of such ideas,<sup>83</sup> and if the same idea can be expressed in a number of different ways, a plurality of copyrights may result and no infringement will have taken place.<sup>84</sup> It has been held that a copying need not be of every detail as long as it is substantially similar to the copyrighted work<sup>85</sup> and, further that paraphrasing or copying may be an infringement even though there be little or no obvious identity between the two subjects.<sup>86</sup> As mentioned previously<sup>87</sup> the imitation of the arrangement of material may be sufficient to constitute an infringement in the area of advertising.<sup>88</sup>

77. SEIDEL, WHAT THE GENERAL PRACTITIONER SHOULD KNOW ABOUT TRADEMARKS AND COPYRIGHTS 119 (1957), published by American Law Institute. This is an excellent treatment of the basic requirements for procuring a copyright.

78. *Metro Associated Services v. Webster City Graphic*, 117 F.Supp. 224 (N.D. Iowa 1953). See SEIDEL, *op. cit. supra* note 98, at 123-126, on the forms and location of notice.

79. 61 STAT. 652 (1947), 17 U.S.C. § 14 (1952).

80. *Ibid.*

81. *Lumierie v. Pathe Exchange, Inc.*, 275 Fed. 428 (2d Cir. 1921); *Mittenthal v. Berlin*, 291 Fed. 714 (S.D. N.Y. 1923).

82. *Holmes v. Hurst*, 174 U.S. 82 (1899).

83. *Funkhouser v. Loe's*, 208 F.2d 185 (8th Cir. 1954).

84. *Dymow v. Bolton*, 11 F.2d 690 (2d Cir. 1926); *Rush v. Oursler*, 39 F.2d 468 (S.D. N.Y. 1930).

85. *Comptone Co., Ltd. v. Rayex Corp.*, 251 F.2d 487 (2d Cir. 1958).

86. *Holmes v. Hurst*, 174 U.S. 82 (1899); *West Publishing Co. v. Edward Thompson Co.*, 169 Fed. 833 (E.D. N.Y. 1909).

87. *Ansehl v. Puritan Pharmaceutical Co.*, 61 F.2d 131 (8th Cir. 1932).

88. For cases holding that there was infringement of an advertisement see notes 45, 56 *supra*. *Griesedieck Western Brewing Co. v. Peoples Brewing Co.*, 56 F.Supp. 600 (D.C. Minn. 1944); *Brundy Engineering Co. v. Penn Union Electric Corp.*, 25 F.Supp. 507 (W.D. Pa. 1938).

As concerns copyrights generally the courts, in holding that there must be a substantial taking, have decided that any unreasonable taking would qualify as such,<sup>89</sup> and have been concerned with the degree of taking. This is a result of the awareness of the courts of the doctrine of fair use,<sup>90</sup> which has been developed generally in reference to the use of scientific and scholarly works.<sup>91</sup> Indeed, one of the primary purposes of our copyright laws is to encourage the promulgation of new ideas, and the doctrine of fair use allows the public, within certain limits,<sup>92</sup> to make effective use of written materials without the express consent of the author. However, it should be recognized that the doctrine of fair use has very little if any applicability to advertising.

Advertising is a latter-day variation in the general law of copyright, and it has been afforded the protection of the federal statute not because its publication adds to the general store of scientific or other useful knowledge,<sup>93</sup> but rather, it has been protected in response to commercial realities<sup>94</sup> which recognize that advertising serves a very real function in our economy, and that property rights in such advertising should be granted more extensive coverage and protection than was available under the doctrine of unfair competition.

It would seem, therefore, that what is substantial copying in the case of advertising should not be determined by any test of reasonableness, but rather, the courts should, on a side by side comparison, judge whether or not the copying has amounted to the appropriation of another's work, which has resulted in the diminution of the commercial value of the copyrighted material.<sup>95</sup> Under this test "any" copying by a competitor would

89. *Kustoff v. Chaplin*, 120 F.2d 551 (9th Cir. 1941); *Roe-Lawton v. Hal E. Roach Studios*, 18 F.2d 126 (S.D. Cal. 1927).

90. Fair use has been defined as a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright. BALL, *THE LAW OF COPYRIGHT & LITERARY PROPERTY* 260 (1944). *Toksvig v. Bruce Publishing Co.*, 181 F.2d 664 (7th Cir. 1950).

91. *Thompson v. Grensback*, 94 F.Supp. 453 (S.D. N.Y. 1950). See Cohn, *Fair Use in the Law of Copyright*, 6 COPYRIGHT LAW SYMPOSIUM 43, 50 (1954), in which the writer suggests that the policies behind the doctrine of fair use do not justify the application of that doctrine to cases where the work is not of a scholarly or literary nature.

92. The limits depend upon the facts of each case. The general rule is that a reasonable use is a fair use. The court in the case of *Karll v. Curtis Publishing Co.*, 39 F.Supp. 836 (D.C. Wis. 1941), declared that in determining whether there has been a fair use the court will look to the nature, quantity and value of the material used, and to the degree to which the use may prejudice the sale, or diminish the profits of the original.

93. One of the functions of advertising is, of course, to disseminate information and add nothing more than a mere knowledge of the existence and nature of an isolated product. See authorities cited note 3 *supra*.

94. Justice Holmes in the case of *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903), declared, "Yet if they [the illustrated advertisements] command the interest of any public, they have a commercial value,—and the taste of any public is not to be treated with contempt. It is the ultimate fact of the moment, whatever may be our hopes for a change."

95. *West Publishing Co. v. Thompson Co.*, 169 Fed. 833 (E.D. N.Y. 1909). See comment, 31 *TUL. L. REV.* 528 (1957) where the author points out that this test is very closely related to the principles of unfair competition. In *International*

be sufficient to constitute an infringement, and if a side by side comparison reveals a substantial borrowing as concerns the language, subject matter, and arrangement then the courts should find such infringement.<sup>96</sup> It should be apparent that such comparisons are relatively simple in the case of most advertisements which in appealing to the general public are seldom of any great length or involvement.

If in fact there has been an infringement, it is immaterial that the defendant had no knowledge of the plaintiff's copyright,<sup>97</sup> as it is the result, not the intention that ultimately determines infringement.<sup>98</sup> However, the presence of intention to infringe has been considered, and if found to exist the degree of taking necessary to constitute infringement lessened.<sup>99</sup>

#### D.

#### Remedies and Damages Available Under the Copyright Laws.

If the advertiser can establish infringement, he has recourse to a multiplicity of remedies. Section 101,<sup>100</sup> of the copyright statute provides, cumulatively, not alternatively, for any or all of the following:

- (a) an injunction restraining the infringement.
- (b) damages and an accounting for profits.
- (c) impounding during the pendency of the action all articles alleged to infringe a copyright.
- (d) destruction of the infringing copies and plates.

The statute<sup>101</sup> provides for specific maximum and minimum amounts to be awarded in lieu of proof of actual damages and profits, and the courts have a wide degree of discretion in determining damages within the prescribed statutory limitations.<sup>102</sup> This remedy of awarding statutory

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*Heating Co. v. Oliver Oil Gas Burner & Machine Co.*, 288 Fed. 708 (8th Cir. 1923), the court in *Gita* stated a test for infringement of an advertisement as follows: "If the advertisements of the defendant company were so similar in appearance and wording to the plaintiff's that the ordinary person reading those of the defendant would be deceived and believe he was reading those of the plaintiff. . . ." It should be noted that this case involved an action for unfair competition.

96. See the extensive side by side comparison developed in the case of *Ansehl v. Puritan Pharmaceutical Co.*, 61 F.2d 131 (8th Cir. 1932).

97. *Metro Associated Services v. Webster City Graphic*, 117 F.Supp. 224 (N.D. Iowa 1952).

98. *Advertisers Exchange, Inc. v. Henkley*, 101 F.Supp. 801 (D.C. Mo. 1951), *aff'd*, 199 F.2d 313 (8th Cir. 1952), *cert. denied*, 344 U.S. 921 (1953); *Witmark & Sons v. Galloway*, 22 F.2d 412 (E.D. Tenn. 1927).

99. *Meccano v. Wagner*, 234 Fed. 912 (S.D. Ohio 1916), *modified on other grounds*, 246 Fed. 603 (5th Cir. 1918).

100. 61 STAT. 652 (1947), 62 STAT. 992 (1948), 17 U.S.C. § 101 (1952).

101. 61 STAT. 652 (1947), 17 U.S.C. § 101-b (1952).

102. *F.W. Woolworth Co. v. Contemporary Arts*, 344 U.S. 288 (1952), *Clarification denied*, 350 U.S. 810 (1955).

damages was adopted to insure that the owner of the infringed copyright would receive some recompense in cases where the rules of law render proof of actual damages and discovery of profits difficult or impossible.<sup>103</sup>

As was suggested earlier,<sup>104</sup> the proof of damages for loss of profit in the area of advertising will in most cases be impossible, and the statutory remedy<sup>105</sup> will have to be applied. The advertiser under section 101(b) does have a distinct advantage as to the burden of proof. The statute provides that the plaintiff is not required to prove the amount of profits, it being sufficient to prove the amount of sales, thus placing the burden upon the defendant to prove any element of cost which he claims.<sup>106</sup> However, the plaintiff must show the causal connection between the infringement and the resulting increase in sales of the defendant, and it is this burden that is almost insurmountable in the case of advertising where the amount of sales which can be attributed to any one advertisement is at best speculative.<sup>107</sup>

Section 116,<sup>108</sup> provides that the successful plaintiff may recover attorneys' fees and full costs, and large sums have been recovered through a utilization of this section.<sup>109</sup> However, in all cases, whether such costs and fees will be allowed, and to what extent, is a matter of discretion with the court.<sup>110</sup>

The difficult problem of whether repeated printings of the imitated material amounts to a single infringement, or to a plurality of violations was discussed in *Westermann Co. v. Dispatch Co.*<sup>111</sup> In that case the plaintiffs designed pictorial illustrations to be used in the advertisement of different styles in women's apparel. All of the illustrations were separately copyrighted under the requirements of the statute. The plaintiffs, for a charge, granted exclusive licenses to use the illustration for limited periods. The defendants without consent or authority from the plaintiff reproduced and published in its newspapers six of plaintiff's copyrighted illustrations. They were published separately, each in a different issue of a newspaper. Five were published once and the other one twice. The United States Supreme Court held that since the statute states that

103. *Washingtonian Publishing Co. v. Pearson*, 140 F.2d (D.C. Cir. 1944); *Brundy Engineering Co. v. Sheldon Service Corp.*, 127 F.2d 662 (2d Cir. 1942).

104. See text at note 35 *supra*.

105. *Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919); *Markham v. A.E. Gordon Co.*, 221 F.2d 587 (1st Cir. 1955); *Advertisers Exchange v. Hinkley*, 199 F.2d 316 (8th Cir. 1952).

106. 61 STAT. 652 (1947), 17 U.S.C. § 113 (1954).

107. See text at note 35 *supra*.

108. 61 STAT. 652 (1947), 17 U.S.C. § 116 (1952).

109. *Gumm v. Jerry Vogel Music Co.*, 158 F.2d 516 (2d Cir. 1946), allowed \$10,000 for attorney's fees; *Alfred Bell & Co. v. Catalda Fine Arts*, 86 F.Supp. 399 (E.D. N.Y. 1949), *modified on other grounds*, 191 F.2d 99 (2d Cir. 1949), allowed \$7,500 as attorney's fees.

110. *Advertisers Exchange v. Anderson*, 144 F.2d 907 (8th Cir. 1944); *Brundy Engineering Co. v. Sheldon Services Corp.*, 127 F.2d 661 (2d Cir. 1942).

111. *Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919).

liability is imposed for infringing "the copyright of any copyrighted work," and further, because the words are in the singular, not the plural, "each copyright is treated as a distinct entity and the infringement of it a distinct wrong to be redressed through the enforcement of liability."<sup>112</sup> The Court further held that since there were separate illustrations the use of each one was a separate infringement, and that as concerns the item used twice, since its use was by and for the benefit of different advertisers, that each use was also a separate infringement.<sup>113</sup> The Court did not reach the question of whether repetition or continued use of one illustration by the same advertiser would constitute one or more infringements.

Subsequent cases have considered this latter problem, and have generally concluded that such a use by a single advertiser would constitute but one infringement,<sup>114</sup> although there is some authority to the contrary.<sup>115</sup>

In a separate series of cases, wherein there was an unauthorized use of a copyrighted item, not continuously but on several distinct and disassociated occasions by the same advertiser, it was held that there existed a separate infringement for each use.<sup>116</sup>

Regardless of the problem involved in multiple-use and infringement cases, only one suit to claim damages should be brought,<sup>117</sup> and all claims for infringement are subject to a three year statute of limitations.<sup>118</sup>

It should be kept in mind that copyright protection will be denied to any material which is obscene or fraudulent. Thus, in the case of *Stone v. Dugan Piano Co.*,<sup>119</sup> the court held that advertisements which are misleading or untrue are not copyrightable, and the use thereof is not an infringement of a copyright. The language of the court was: "if their tendency be misleading and deceptive they will find the doors of a court of equity barred against their admission."<sup>120</sup> In like manner the presence of immoral language in the subject of a copyright has led to a denial of protection.<sup>121</sup>

These decisions are in accord with the general principals of equity, and the doctrine of unclean hands,<sup>122</sup> and it seems clear that if the advertiser desires to ensure protection for his material he should keep in mind the requirements of equity in regard to fraud and immorality.

112. *Id.* at 105, 106.

113. The court, therefore, allowed the minimum of \$250.00 for each infringement.

114. *E.g.*, *Doll v. Libin*, 17 F.Supp. 546 (D.C. Mont. 1936).

115. *Eliot v. Geare-Marston Inc.*, 30 F.Supp. 301 (E.D. Pa. 1939); *Zuckerman v. Dickson*, 35 F.Supp. 902 (W.D. Pa. 1940).

116. *Cary v. Physical Cultural Hotel*, 14 F.Supp. 977 (D.C. N.Y. 1936), *aff'd*, 88 F.2d 411 (2d Cir. 1937); *Lindsay & Brewster, Inc. v. Verstein*, 21 F.Supp. 264 (D.C. Me. 1937).

117. Savoid, *Copyright Protection for Advertising*, 16 NOTRE DAME LAW, 312 (1940), the author here discusses at length the problem of multiple infringement.

118. 61 STAT. 652 (1947), 17 U.S.C. § 115 (1952).

119. 220 Fed. 837 (5th Cir. 1915).

120. *Id.* at 843.

121. *Broder v. Zeno Mauvais Music Co.*, 88 Fed. 74 (C.C. N.D. Cal. 1898).

122. *Harms v. Stern*, 231 Fed. 645 (2d Cir. 1916).



## III.

## JURISDICTIONAL CONSIDERATIONS

The federal courts have exclusive jurisdiction of cases arising under the copyright laws,<sup>123</sup> and where infringement is the issue original jurisdiction has been given to the district courts.<sup>124</sup> Conversely, where the advertiser is seeking protection in an action for unfair competition his cause will be governed by state law, and will be subject to the *Erie*<sup>125</sup> doctrine if he should seek a federal forum.

Although unfair competition can exist without the infringement of a copyright,<sup>126</sup> and the mere act of copyright infringement does not of itself constitute unfair competition,<sup>127</sup> it will, nevertheless, often appear that the wrongful acts of appropriation simultaneously give rise to a cause of action for unfair competition and for copyright infringement.<sup>128</sup> The advertiser may, of course, waive his remedies for infringement and seek relief in the state courts for unfair competition.<sup>129</sup> However, it would clearly be to his advantage to find a forum in which he could pursue both avenues of recovery.

The United States Supreme Court, in the case of *Hurn v. Oursler*,<sup>130</sup> decided that the federal courts could be used to pursue both remedies to a decision on the merits simultaneously. In that case, the plaintiff made a claim of copyright infringement in the district court, and also sought relief upon the ground that the same acts complained of in the infringement action constituted unfair competition under state law. The Supreme Court held that the district court acquired jurisdiction by virtue of the substantial federal question raised under the copyright statute, and that even though the federal claim was rejected on the merits, the court still had jurisdiction to decide the question of unfair competition. Thus, from the jurisdictional viewpoint the doctrine of pendent jurisdiction was extended to cases of copyright and unfair competition where the claims for relief are based on the same wrongful acts of appropriation. The Supreme Court, in effect, held in the *Hurn* case<sup>131</sup> that the claims of infringement and unfair competition are not separate and distinct causes of action, but are different grounds asserted in support of the same cause of action. The

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123. 62 STAT. 93 (1948), 28 U.S.C. § 1338 (1952).

124. *Ibid.*

125. *Erie R.R. v. Tompkins*, 304 U.S. 64 (1938).

126. *Norma Lites v. Lawn Spray*, 22 F.2d 716 (2d Cir. 1955).

127. *Markham v. A. E. Borden Co.*, 108 F.Supp. 695 (D.C. Mass. 1952), *reversed on other grounds*, 206 F.2d 199 (1st Cir. 1953).

128. *Hurn v. Oursler*, 289 U.S. 238 (1933).

129. *Swanson Mfg. Co. v. Feinberg-Henry Mfg. Co.*, 147 F.2d 500 (2d Cir. 1945).

130. 289 U.S. 238 (1933).

131. *Ibid.*

Supreme Court has subsequently ratified the doctrine of that case,<sup>132</sup> and the 1948 revision of the judicial code provides that:

"the district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition, when joined with the substantial and related claim under the copyright, patent, or trademark laws,"<sup>133</sup>

thus enacting the rule into statutory form.

It would, therefore, seem clear that if the advertiser has afforded himself the protection of the copyright laws, and if he can meet the test established in *Hurn*<sup>134</sup> and subsequent cases<sup>135</sup> that the proof in support of the claim of infringement and of unfair competition must substantially overlap and arise from the same general acts so as to constitute one cause of action brought on two separate grounds, then he can pursue recovery simultaneously for the infringement and the alleged unfair competition and have the merits of each issue decided in the federal forum.

#### IV.

#### THE PROTECTION OF COMMERCIAL IDEAS WHICH ARE NOT COPYRIGHTABLE.

##### A.

##### Preliminary Considerations.

As previously mentioned,<sup>136</sup> mere ideas are not copyrightable, and thus the "idea man" or advertising agency is often faced with the problem of determining how to protect an advertising plan or scheme while in the process of marketing it. Of course, if the disclosure of the idea or plan is made privately, and in pursuance of an express contract, or under terms of trust, the disclosing party may claim legal relief for the violation of any legally created rights.<sup>137</sup>

However, absent such legal arrangements, there seems to be a split of authority as to whether the vendor of ideas can collect damages for the use of these ideas on the theory of a contract either implied in law or in fact.

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132. In *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938), the court held that once jurisdiction has been properly obtained of the cause of action for the alleged infringement of a trademark, such jurisdiction persists to deal with all grounds supporting it, including unfair competition with the marked articles.

133. 62 STAT. 931 (1948) 28 U.S.C. § 1338(b) (1952).

134. *Hurn v. Oursler*, 289 U.S. 238 (1933).

135. *Scarves By Vera, Inc. v. United Merchants & Mfg., Inc.*, 173 F.Supp. 625 (S.D. N.Y. 1959); *General Electric Co. v. Schwartz*, 99 F.Supp. 369 (E.D. N.Y. 1951). For a case distinguishing this rule see *Frazier Tandum Systems, Inc. v. Hutchens & Sons Metal Products, Inc.*, 110 Supp. 261 (S.D. Mo. 1953).

136. See text at note 73 *supra*.

137. *Moore v. Ford Motor Co.*, 43 F.2d 685 (2d Cir. 1930); *Larson v. General Motors Corp.*, 2 F.R.D. 294 (S.D. N.Y. 1941); *Cole v. Philip H. Lord, Inc.*, 28 N.Y.S. 2d 85 (App. Div. 1941).

In all cases, even those of express contract, the idea, to be afforded legal protection, must have been previously unknown to the using party.<sup>138</sup> Further, the idea must be novel, in the sense that it has not been published or placed in the public domain,<sup>139</sup> and it must have been reduced to a concrete form.<sup>140</sup>

The requirement that the idea be in a concrete form if it is to be protected is universal and has been adopted for cogent reasons. It is seldom possible to determine the exact nature of an intangible idea or to compare it directly with other ideas, as the vehicle of language, especially when no more than a momentary utterance, is capable of extreme distortion. It is often difficult to attribute the originality to any one individual or to prove by a preponderance of the evidence that one idea is so similar to another as to constitute imitation thereof. Consequently, the evidentiary and administrative problems of protecting property rights in ethereal ideas have led the courts to establish the showing of concreteness as an essential element of the cause of action for imitation or plagiarism of commercial ideas.

However, there is some conflict of legal opinion as to what constitutes concreteness. Some courts<sup>141</sup> have held that a mere written sketch or outline was sufficiently concrete for protection, while courts in other jurisdictions have declared that the ideas to be protected must be in complete and detailed form ready to be acted upon.

## B.

### Cases Denying Protection.

The older cases clearly held that except in the situation of an express contract, if an idea were disclosed it became the property of all,<sup>142</sup> even if the idea were in writing or otherwise concrete.<sup>143</sup>

In the case of *Stone v. Liggett & Myer Tobacco Co.*,<sup>144</sup> the defendant paid plaintiff \$500.00 for the use of a script, which payment did not include the rights to use of an advertising idea contained within it. The court, in denying plaintiff relief in an action for damages for the unauthorized use of such idea, held that the embodiment of the advertising idea contained in the script was not reduced to a concrete form.

138. *Masline v. New York, N.H. & H.R.R.*, 95 Conn. 702, 112 Atl. 639 (1921); *Soule v. Bon Ami Co.*, 195 N.Y.Supp. 574 (App. Div. 1922).

139. *Belt v. Hamilton Nat'l Bank*, 108 F.Supp. 689 (D.D.C. 1952), *aff'd* 210 F.2d 706 (D.C. Cir. 1953); *William A. Meier Glass Co. v. Anchor Hocking Glass Corp.*, 95 F.Supp. 264 (W.D. Pa. 1951).

140. *Ibid.*

141. *Stanley v. Columbia Broadcasting Sys.* 85 Cal. App. 2d 198, 192 P.2d 493 (Dist. Ct. App. 1948). For cases requiring a detailed form see *O'Brien v. RKO Radio Pictures, Inc.*, 68 F.Supp. 13 (S.D. N.Y. 1946); *Bowen v. Yankee Network, Inc.*, 46 F.Supp. 62 (D.C. Mass. 1942).

142. *Lueddecke v. Chevrolet Motor Co.*, 70 F.2d 345 (8th Cir. 1934); *Bristol v. The Equitable Life Assur. Soc'y*, 132 N.Y. 264, 30 N.E. 506 (1892).

143. *Stein v. Morris*, 120 Va. 390, 91 S.E. 177 (1917).

144. 23 N.Y.S.2d 210 (App. Div. 1940).

The later case of *Thomas v. R. J. Reynolds Tobacco Co.*,<sup>145</sup> sheds further light upon the nature of concreteness. Plaintiff, in an unsolicited letter, sent to the defendant an advertising idea. The idea was based on plaintiff's own tests; Camel cigarettes burn longer than other popular brands and are, therefore, more economical. The plaintiff further advised the tobacco company, that they were at liberty to make a photostatic copy of his letter for advertising purposes, provided that they would recompense him for his idea and tests submitted. The defendant never answered or photostated the letter. About five years later the defendant began an advertising campaign based on the economy of longer burning Camels. The plaintiff claimed that his idea had been used and that he should be reimbursed, but the court held that there was no evidence of a contract expressed in fact, and that there would be no contract imposed by law, as the claimant's idea was not new, novel, or concrete.

### C.

#### Cases Granting Protection.

The modern trend in this area seems to be in the direction of extending protection for the value or property interest contained in commercial ideas, provided they are reduced to a concrete form, are original and have never been published so as to constitute an abandonment thereof to the public.<sup>146</sup>

The leading decision on this point is *Liggett & Meyer Tobacco Co., v. Meyer*,<sup>147</sup> in which case the plaintiff submitted to the defendant an original advertising scheme to be used on billboards. The idea consisted of a picture of one man extending a package of cigarettes, and another man declining, saying, "No thanks, I smoke Chesterfield." The proposal was unsolicited and the plaintiff indicated that he expected remuneration if the idea were used. The company never accepted the specific offer and advanced no promise to pay, but sometime later adopted the scheme in its advertising and then declined to make remuneration to the plaintiff. The court, in affirming a verdict for plaintiff for \$9000, held that the plaintiff had a property right in the advertising scheme because the idea was new and novel and had been reduced to a concrete form. It was further held that such property rights were the proper subject for sale, and since the defendants made a beneficial use of the property the law would raise an obligation to pay therefor. Thus, relief in quasi-contract based on a promise imposed by law was recognized in order to protect property rights in ideas.

This decision has been followed in a number of subsequent cases involving advertising. In *Ryan & Associates v. Century Brewing Ass'n*,<sup>148</sup> the plaintiff, pursuant to an invitation, submitted a slogan for

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145. 350 Pa. 262, 38 A.2d 61 (1944).

146. *Belt v. Hamilton Nat'l Bank*, 108 F.Supp. 689 (D. D.C. 1952); *aff'd.*, 210 F.2d 706 (D.C. Cir. 1953).

147. 101 Ind. App. 520, 194 N.E. 206 (1935).

148. 185 Wash. 600, 55 P.2d 1053 (1936).

the promotion of a beer. The defendant accepted and used the slogan but failed to give any compensation for the same, and the plaintiff sued and was awarded a judgment for \$7500 on the theory of an implied in law contract.

The case of *Bolt v. Hamilton Nat'l Bank*,<sup>149</sup> involved a claimant who was in the advertising business and who created an idea for a radio program featuring school children as local talents. The claimant was hired, after submitting the idea, to do preparatory work on the program, but after a short tenure was fired. Several months later the defendant hired another advertising agency for the purpose of putting this show into effect, and the plaintiff then sued for compensation for the use of his idea. The court affirmed a verdict for the plaintiff for \$3300, and stated the criteria for allowing protection for commercial ideas as follows:

"... it may be stated that the right of an originator of an idea to recover from one who uses or infringes it seems to depend upon whether or not the idea was novel, and reduced to concrete form prior to its appropriation to defendant, and, where the idea was disclosed by the originator to the appropriator, whether such disclosure took place under circumstances indicating that compensation was expected if the idea was used. Where these prerequisites exist, recovery may be had upon a theory of contract implied in fact or in law."<sup>150</sup>

Later in the opinion, referring to the obvious difficulty that the older cases posed in the marketing of commercial ideas, the court stated:

"that if the owner of an idea were not permitted to make sufficient disclosure to a prospective purchaser in order to apprise the latter what is being offered to him, it would never be possible to sell an idea. Such a property right would be valueless. 'If it were held otherwise, the mere offer to sell would destroy the thing offered.'"<sup>151</sup>

When the decision in the case of *Liggett & Meyer Tobacco Co. v. Meyer*,<sup>152</sup> *supra*, was announced, it was felt that the extension of the rule of that case, in which unsolicited ideas were protected, would open up a Pandora's box of recoveries on spurious charges of plagiarism and would place an undue burden on business firms that may have arrived at similar schemes or ideas along independent lines of thought.<sup>153</sup> However, few cases<sup>154</sup> have followed *Liggett & Meyer*<sup>155</sup> in allowing recovery for an

149. 108 F.Supp. 689 (D. D.C. 1952), *aff'd*, 210 F.2d 706 (D.C. Cir. 1953).

150. *Id.* at 691.

151. *Id.* at 692.

152. 101 Ind. App. 420, 194 N.E. 206 (1935).

153. Note, 44 YALE L.J. 1269 (1935).

154. *Healey v. R. H. Macy & Co.*, 297 N.Y. Supp. 165 (App. Div. 1937); *contra* *Alberts v. Remington Rand, Inc.*, 175 Misc. 486, 23 N.Y.S.2d 892 (Sup. Ct. 1940).

155. *Liggett & Meyer Tobacco Co. v. Meyer*, 101 Ind. App. 420, 194 N.E. 206 (1935).

idea submitted without invitation. Most of the cases<sup>156</sup> subsequent to *Liggett & Meyer* would seem to limit recovery to situations in which the plaintiff's idea was solicited expressly or to situations where the plaintiff was in the business of providing ideas, in which case the defendant would be on notice as to the type of offers being made.

The exact limitations of the above developed doctrine of legal protection for commercial ideas is currently nebulous, but it at least seems certain that the law now recognizes property rights in commercial ideas, and if these ideas are sufficiently novel and concrete and are revealed under circumstances indicating that compensation is expected if the idea discussed is later used, an unauthorized use of such ideas will afford the originator of the idea a legal remedy under a contract implied by law or in fact.

## V.

### CONCLUSION.

It has been attempted in the foregoing discussion to examine the avenues of protection that are available to the advertiser. A comparison of the protection from imitation existing under the doctrine of unfair competition and that existing under the copyright laws should indicate the value of copyright protection to the advertiser. Advertisements possessing the least degree of artistic value and originality can be copyrighted, and if published with the requisite notice and subsequently registered for a nominal fee,<sup>157</sup> will be granted the full protection of the copyright laws with all their advantages in regard to proof, damages, and forum.

One of the primary benefits which the statute confers is in regard to the burden of proof demanded of the claimant. If the owner of the advertisement has registered his copyright, the certificate of registration is *prima facie* evidence of the validity of the copyright<sup>158</sup> and places upon the defendant the burden of introducing sufficient evidence to overcome the presumption of validity.

In the proof of infringement the plaintiff need not prove fraudulent intent, (although showing of intent is still a requirement in establishing unfair competition in many jurisdictions) it being sufficient to show the resulting similarity between the advertisements. Further, the copyright protection extends to cases of imitation by competitors and noncompetitors alike, and on proof of infringement relief may be granted without proof of any deception of the public or loss of good will or business on the part of the advertiser.

As regards damages, if actual damages can be proven the recovery can be as great as in the case of unfair competition. The statute also provides that plaintiff need only prove the amount of sales by defendant,

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156. *Stanley v. Columbia Broadcasting Sys.*, 35 Cal. 2d 653, 221 P.2d 73 (1950).

157. 61 STAT. 652 (1947), 17 U.S.C. § 215 (1952).

158. 61 STAT. 652 (1947), 17 U.S.C. § 209 (1952).

the burden of showing cost being on the latter, however, in the event such proof is impossible, which will generally be the rule in advertising cases, the copyright statute provides for specific damages in lieu of proof of actual damages, thus assuring a monetary recovery in all cases. The statute also expressly provides for the awarding of attorney's fees. There are no such advantages existing under the doctrine of unfair competition.

In addition, if one has availed himself of copyright protection he will in many cases have the advantage of the federal forum to process not only his claim for infringement, but in addition, to determine his action for recovery for unfair competition, even if there is no diversity. This in effect allows him the choice of alternative forums, and reduces the cost of litigation if he seeks recovery on both claims simultaneously. In any event, if the advertiser has obtained a copyright he will have a claim for infringement which will allow access to the federal courts if he is unsuccessful with common law actions in the state courts.

Despite the ease with which a copyright can be obtained, the fact remains, as even a cursory glance at any periodical would reveal, that most advertisements are not copyrighted. This situation has been noted by legal writers,<sup>159</sup> and they have advanced as explanations for the failure of advertisers to obtain copyrights, the fact that advertisements are generally meant to exist for a short duration and are seldom repeated, and also that there is uncertainty in the advertising industry as to whether imitation is a commercial harm or a beneficial form of flattery.

In response to this analysis it is submitted that there is little merit to such arguments, and further, that when one considers the economy and ease with which a copyright can be secured, any lawyer who fails to acquire copyright protection for his client is doing that client a disservice. It may well be the case that most advertisements will not be repeated, and in most cases there will be no need for 28 years protection. However, the advertiser can never predict in advance what particular format and arrangement in his advertisements will be most effective in catching and holding the public eye. It happens often enough that one particular advertisement has extraordinary appeal, and the same advertisement, in substance, may be repeated several or several hundred times. Further, once having secured the copyright, the advertiser can avail himself of the protection from imitation or refrain from an exercise of his legal remedies at his discretion, depending upon whether in the particular circumstances he considers imitation harmful or merely flattering. In addition, he can protect himself and his investment in the advertisement from imitation by others who, absent such protection, may, at a later date without cost to themselves, utilize the fruits of his effort and investment.

However, in all cases, whether the advertiser subsequently needs or desires the protection, if he has not secured the copyright in advance of

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159. Borden, *Copyright of Advertising*, 35 Ky. L.J. 205 (1947); Freedland, *Copyright Protection of Advertising*, 27 Ky. L.J. 391 (1939).

publication, he will be considered to have dedicated his subject matter to the public and his protection under the copyright statute will be forfeited.

Thus, it appears that there are compelling reasons for the procurement of copyrights, and it is strongly urged that advertisers in the future avail themselves of copyright protection to a much greater extent.

*William B. Colsey III*

#### LIENS—JUDGMENT LIENS IN PENNSYLVANIA—PRIORITY DATING FROM RENDITION OR FROM INDEXING.

In Pennsylvania at the present time judgments are liens by virtue of the Judgment Lien Law,<sup>1</sup> while the lien of a verdict is the creation of an act of 1877 and is exclusive to Pennsylvania.<sup>2</sup> The effect of both liens is to create a charge on the real property of the debtor located within the county where the court rendering the judgment or verdict sits,<sup>3</sup> with the exception of a term for years.<sup>4</sup> A judgment can be transferred, though, so as to create a charge on land in another county by testatum writ of fieri facias or by mere exemplification of the record<sup>5</sup> but a verdict cannot be so transferred.<sup>6</sup> Another fact to be noted about such liens is that they continue only for five years unless revived sooner.<sup>7</sup> Unlike the majority of jurisdictions,<sup>8</sup> in Pennsylvania judgment liens do not attach to after acquired property,<sup>9</sup> but a revival of the judgment after the acquisition of such property will subject it to a lien.<sup>10</sup> It should be further noted that the above statements apply to both judgments rendered by a court and

1. PA. STAT. ANN. tit. 12, § 878 (1953).

2. PA. STAT. ANN. tit. 12, §§ 861, 862 (1953).

3. PA. STAT. ANN. tit. 12, § 878 (1953). The rule is the same for judgments of the federal district courts. PA. STAT. ANN. tit. 17, § 1932 (1930) and 62 STAT. 958 (1948), 28 U.S.C. § 1962 (1952).

4. *Sheaffer v. Baeringer*, 346 Pa. 32, 29 A.2d 697 (1943).

5. PA. STAT. ANN. tit. 12, § 891 (1953).

6. *Bailey v. Eden*, 90 Pa. 446 (1879).

7. PA. STAT. ANN. tit. 12, §§ 878, 879 (1953). Verdict liens also continue only for five years, not by statute, but by analogy with judgment liens. *Fuellhart v. Thompson*, 11 Pa. Super. 273 (1899), approved in *Rosenheck v. Stape*, 332 Pa. 287, 3 A.2d 678 (1939). Originally the judgment lien was of indefinite duration, but the Act of April 4, 1798, 3 SMITH'S LAWS 331, § 2 limited it to five years.

8. *E.g.* *Hulbert v. Hulbert*, 216 N.Y. 430, 111 N.E. 70 (1916).

9. *General Casmir Pulaski Bldg. & Loan Ass'n v. Provident Trust Co.*, 338 Pa. 198, 12 A.2d 336 (1940); *Rundle & Murgatroyd v. Ettwein*, 2 Yeates 23 (Pa. 1795). See generally, 78 U. Pa. L. Rev. 246 (1949).

10. PA. STAT. ANN. tit. 12, § 880 (1953).



those entered of record by a prothonotary pursuant to a cognovit note,<sup>11</sup> and that decrees in equity ordering money to be paid also create liens.<sup>12</sup>

The aspect of the law of judgment and verdict liens to be dealt with here is that of priority. The priority of a judgment or verdict lien is important since under the rule, "prior in time is prior in right," the value and even the existence of a judgment lien depends upon its temporal priority relative to conveyances and other liens affecting the judgment debtor's real property.<sup>13</sup> In order to determine whether a particular lien is prior to a conveyance or another lien in time, and therefore in right, it is necessary to determine from what event the lien dates or has priority. As to judgment liens this event has been determined by various jurisdictions to be either the date or time of rendition,<sup>14</sup> the date or time of docketing or indexing<sup>15</sup> or the date or time of the issuance of execution.<sup>16</sup> In Pennsylvania, as will be seen, it cannot be determined with certainty whether the crucial event fixing the priority of the lien of an adverse judgment or verdict is the time of rendition of the judgment or verdict or the time of indexing thereof.

The problem is much the same with amicable judgments except that the conflict exists between the time the judgment is left for record and the time of indexing.

The purposes of this comment, therefore, are to point out the uncertainties regarding judgment and verdict lien priorities under present Pennsylvania legislation, and to provide, if possible, a guide to conduct which will help avoid the dangers existing because of these uncertainties.

## I.

### STATUTES IN FORCE.

#### A. *Act of 1772.*

There are five acts still apparently in force which bear upon the problem of the priority of judgment and verdict liens. The first of these is the Act of 1772, Section 2 of which provides:

"Such judgments as against purchasers bona fide for valuable consideration of lands . . . to be charged thereby, shall, in considera-

11. *Boyer's Estate*, 51 Pa. 432 (1866) (dictum). The discussion hereinafter will refer, in terms, chiefly to adverse judgments. However, it can be made applicable to judgments entered without formal court action by substituting the phrase, "left for entry," for the word "rendered," throughout this comment.

12. PA. STAT. ANN. tit. 12, § 1225 (1953). The judgments or decrees of virtually all the courts of Pennsylvania are or can become liens on the realty of the judgment debtor. I LADNER, *CONVEYANCING IN PENNSYLVANIA* §§ 178-82 (2d ed. 1911). This includes judgments in the federal district courts. PA. STAT. ANN. tit. 17, § 1932 (1930), 62 STAT. 958 (1948), 28 U.S.C. § 1962 (1952).

13. Federal, state, and municipal tax liens will not be considered in this comment.

14. *E.g.* *Beloate v. New England Securities*, 128 Ark. 215, 193 S.W. 795 (1917).

15. *E.g.* *Sorrel v. Vance*, 102 Ala. 207, 14 So. 738 (1894).

16. *E.g.* *Graham v. Humm*, 191 Ky. 28, 229 S.W. 80 (1921). In fact, under this view there is no judgment lien in the sense used here but only an execution lien.

tion of law be judgments only from such time as they shall be so signed, and shall not relate to the first day of the term whereof they are entered, . . . any law, usage or course of any court to the contrary notwithstanding."<sup>17</sup>

Under this statute, as against good faith purchasers<sup>18</sup> for value, the lien of a judgment dates from the signing thereof which is equivalent, chronologically, to rendition. It should be noted that this act abolished the doctrine of relation back to the first day of the term only as against purchasers, and has no application by its terms to the lien of a mortgage or another judgment lien<sup>19</sup> or that of an attachment.<sup>20</sup>

#### B. *Act of 1856.*

The second act of significance to the question of judgment lien priorities is the Act of 1856 which provides:

"The lien of no judgment, recognizance, execution levied on real estate in the same or another county, or of writs of scire facias to revive or have execution of judgment, shall commence or be continued as against any purchaser or mortgagee, unless the same be indexed in the county where the real estate is situated, in a book to be called the judgment index; and it shall be the duty of the prothonotary or the clerk forthwith to index the same according to priority of date and the plaintiff shall furnish the proper information to enable him to perform said duty."<sup>21</sup>

The first question to be considered is whether this act impliedly repeals or modifies the Act of 1772. The 1772 act fixed the event for the commencement of a lien as against good faith purchasers for value at rendition or signing of the judgment. The Act of 1856 states that the lien of a judgment shall not commence against purchasers and mortgagees *unless* the judgment is indexed. It does not state that the lien shall not commence *until* it is indexed. Therefore, it would be possible to construe the two acts together as stating, in effect, that the lien of a judgment will not prevail against subsequent mortgagees and purchasers unless it is indexed but when indexed the lien relates back to the time of signing as against purchasers, and to the first day of the term of court during which it was

17. PA. STAT. ANN. tit. 12, § 863 (1953). Section 1 of this act, PA. STAT. ANN. tit. 12, §§ 741, 742 requires judges and officers of the courts of record who sign judgments to set down the date of such signing.

18. In real property law the term purchaser includes anyone who takes realty other than by descent.

19. *Welsh v. Murray*, 4 Dallas 320 (Pa. 1805).

20. *Hooten v. Will*, 1 Dallas 450 (Pa. 1789), decided subsequent to the enactment of this statute, held that the lien of a judgment related back to the first day of the term of court so as to be prior to the lien of domestic attachment which commenced before the judgment was entered but after the first day of the term in which the judgment was entered.

21. PA. STAT. ANN. tit. 17, § 1922 (1930).

entered as against mortgagees. As to other encumbrancers, under this construction, the lien would have priority from the first day of the term of court even without indexing. However, this was not the construction given these acts by the courts. Instead, judgment priority even as between judgments was determined by the date of entry.<sup>22</sup> Apparently, after the Act of 1827<sup>23</sup> imposed a duty on the prothonotaries to docket judgments "in chronological order as of the time rendered, entered or filed" the doctrine of relation back of the judgment lien to the first day of the term of court was considered abolished as to all encumbrancers, as well as to good faith purchasers for value. Also, the case of *Paslawski v. Borgs*<sup>24</sup> holds that there is no doctrine of relation back to the time of rendition upon indexing of the judgment as against purchasers and mortgagees without actual notice. In the *Paslawski* case the judgment was entered of record and indexed erroneously after which the judgment debtor conveyed to an innocent purchaser. After the conveyance there was a *nunc pro tunc* amendment of the docket and index and the judgment creditor sought to enforce his lien against the purchaser. The court held that such an amendment does not prejudice innocent persons who purchase after entry of the judgment but before correct indexing. If the acts of 1772 and 1856 had been construed to create a lien which arose at indexing but was retroactive to the time of rendition or entry it would have followed that when the judgment was properly indexed the lien would have had priority from the time of entry of the judgment and the innocent purchaser would have lost. However, such a result would materially reduce the value of the judgment index as an aid in searching for encumbrances. In *The York Bank's Appeal*<sup>25</sup> it was held that erroneous docketing by a judgment creditor would not result in postponement of his lien to that of a subsequent judgment creditor who had actual knowledge of the prior judgment. This rule was applied to a subsequent purchaser with actual notice in *Lambert v. K-Y Transportation Co.*<sup>26</sup> Thus a notice theory was adopted under which indexing of the judgment became necessary for priority as to all except those with actual notice of the judgment.

### C. Judgment Lien Law of 1947<sup>27</sup>; Judgment Liens Versus Conveyances.

Section 2 of the Judgment Liens Law provides:

"Every judgment now or hereafter entered of record and indexed in any court of record of this Commonwealth shall be a lien upon all real property within the County where the judgment is entered

22. *Glasgow v. Kann*, 171 Pa. 262, 32 Atl. 1095 (1895). Of course, when the doctrine of relation back to the first day of the term of court was applied judgments entered during the same term prorated since their priority dated from the same time.

23. PA. STAT. ANN. tit. 17, § 1903 (1930).

24. 138 Pa. Super. 288, 11 A.2d 199 (1940).

25. 36 Pa. 458 (1860).

26. 113 Pa. Super. 82, 172 Atl. 180 (1934).

27. PA. STAT. ANN. tit. 12, §§ 877-884 (1953).

which at the time of entry and indexing is owned by the person against whom the judgment is entered, and shall unless sooner discharged as provided by law continue as a lien as to the defendant and all other persons for a period of five years from the date on which the judgment was entered, and no longer,<sup>28</sup> unless revived as hereinafter provided."<sup>29</sup>

This act could be construed as abolishing the notice theory of prior law since it states that judgments "entered of record and indexed" are liens. Thus, it is arguable that a subsequent purchaser or lienor who becomes such with actual notice of a prior judgment which has not yet been correctly indexed, would have priority over the prior judgment. This follows from the fact that the prior judgment would not have been a lien until indexed properly. Still, the courts will probably hold, as they have in the past,<sup>30</sup> that the purpose of the judgment docket and index is to give notice and correct indexing is not necessary as to a person with actual notice. In fact, *Russeck v. Shapiro*<sup>31</sup> contains dictum to this effect. Although that case, which was decided after the enactment of the Judgment Lien Law, held that a purchaser without actual notice of an incorrectly indexed judgment took free of any lien, the court indicated that he would have taken subject to the lien had he had actual knowledge of the rendition of the judgment. Also, cases decided under the Act of 1856 have held that a purchaser with actual knowledge takes subject to the lien of an incorrectly indexed judgment<sup>32</sup> even though the terms of the act indicate clearly that no lien will arise against a purchaser unless the judgment is correctly indexed. Therefore, even though the Judgment Lien Law further indicates that no lien at all will arise without correct indexing, the decisions under the act of 1856 would seem to indicate that under the Judgment Lien Law the holdings will be the same, on the theory that the purpose of indexing is to give notice, thus, when there is actual notice indexing is not necessary.

Two other aspects of the problems regarding the priority of judgment liens over conveyances need only brief mention. First, judgment creditors are within the protection of the recording acts and an unrecorded deed will not defeat the lien of a subsequent judgment.<sup>33</sup> The other problem is

28. It should be noted that the last clause appears to abolish the doctrine that a judgment lien lasts indefinitely as against the judgment debtor, his heirs and devisees, with a presumption of payment after twenty years, and provides that as against both the judgment debtor and a third party it must be revived every five years. See *McCahan v. Elliott*, 103 Pa. 634 (1883).

29. PA. STAT. ANN. tit. 12, § 878 (1953).

30. *E.g.*, *The York Bank's Appeal*, 36 Pa. 453 (1860).

31. 170 Pa. Super. 89, 84 A.2d 514 (1951) (dictum).

32. *E.g.*, *Lambert v. K-Y Transportation Co.*, 113 Pa. Super. 82, 172 Atl. 180 (1934).

33. PA. STAT. ANN. tit. 21, § 351 (1955), *Miners' Savings Bank v. Tracy*, 326 Pa. 357, 192 Atl. 246 (1937). However if the judgment creditor has other constructive notice of a prior unrecorded conveyance the conveyance has priority, and such constructive notice will be found where the grantee is in exclusive possession. *Malaned v. Dedelsky*, 363 Pa. 353, 80 A.2d 221 (1951).

raised by the situation in which a judgment is rendered and the judgment debtor makes a gift conveyance before indexing or before correct indexing.<sup>34</sup> The Act of 1856 does not require indexing of the judgment as against other than a purchaser or mortgagee, but the Judgment Lien Law appears to require indexing for any lien to arise. However, the best answer would seem to be that a donee takes subject to any unindexed or improperly indexed judgment since the purpose of the requirement of indexing is to provide a method whereby those who give value to the owner of realty in reliance of his ownership thereof can protect themselves. There is dictum to this effect in one case where the grantee was both a donee and had actual notice.<sup>35</sup>

#### D. *Lien Priority Law of 1951.*<sup>36</sup>

In 1951 the Lien Priority Law was enacted, the second section of which provides:

"Liens against real property shall have priority over each other on the following basis:

- (1) Purchase money mortgages, from the time they are delivered to the mortgagee if they are recorded within thirty days after their date; otherwise, from the time they are left for record.
- (2) Other mortgages and defeasible deeds in the nature of mortgages, from the time they are left for record.
- (3) Verdicts for a specific sum of money, from the time they are recorded by the court.
- (4) Adverse judgments, orders and decrees, from the time they are rendered.
- (5) Amicable judgments, from the time the instruments on which they are entered are left for entry.
- (6) Writs which when issued and indexed by the prothonotary create liens against real property, from the time they are indexed.
- (7) Other instruments which when entered or filed and indexed in the prothonotary's office create liens against real property, from the time they are left for entry or filing."<sup>37</sup>

The first point which should be noted about the Lien Priority Law is that it determines priorities of liens "over each other" and does not, there-

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34. A non-fraudulent conveyance is assumed.

35. *Meyer v. Safe Deposit & Trust Co.*, 230 Pa. 106, 79 Atl. 249 (1911). This is the rule under the act requiring deeds of conveyance to be recorded. *Kohn v. Burke*, 294 Pa. 282, 144 Atl. 75 (1928).

36. PA. STAT. ANN. tit. 68, §§ 601-603 (Supp. 1959).

37. PA. STAT. ANN. tit. 68, § 602 (Supp. 1959). The third section of the act, § 603, provides that the persons who record these various liens or render judgments must endorse the time of leaving for record, rendition, or issuance, as the case may be, on the instrument, judgment, or writ.

fore, affect any contest between a lienor and a purchaser. Secondly, the act changes the old view that judgments entered on the same day or a judgment and a mortgage entered on the same day prorate on the theory that a day is legally an indivisible unit of time.<sup>38</sup> It has been implied that the order in which the various liens are listed is significant, that is, since mortgages are listed first they have priority over judgments which are listed fourth, even if the mortgage was left for record long after the judgment lien attached.<sup>39</sup> It seems, though, that the courts would require explicit language in the statute before they would allow such a manifestly unjust result. Thus, priority is determined by chronology and the Lien Priority Law purports to fix the event by which the chronological position of a particular lien, and, therefore, its priority is determined.

The fourth section of the Lien Priority Law<sup>40</sup> expressly saves from repeal both the Judgment Lien Law and the Act of 1856 and yet it fixes the priority of an adverse judgment as dating from rendition and that of an amicable judgment from the time it is left for entry.<sup>41</sup> As stated above, however, the Act of 1856 and the Judgment Lien Law of 1947 appear to require indexing of the judgment for a lien to be created, at least as to subsequent purchasers and mortgagees and probably, under the Judgment Lien Law, as to all subsequent lienors. Since the Lien Priority Law expressly saves these acts from repeal a solution based on an implied repeal is barred unless there is no way to construe the acts as consistent with each other.<sup>42</sup>

## II.

### POSSIBLE CONSTRUCTIONS OF THE ACTS.

Three ways of reconciling these apparent inconsistencies, without finding an implied repeal, are available. The first would be to recognize that under the Act of 1856 and the Judgment Lien Law a lien does not arise until correct indexing, but that under the Lien Priority Law once the judgment is correctly indexed the lien relates back to the time of rendition. The results under this construction would be equivalent to those obtained by finding an implied repeal. The second resolution would con-

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38. *Metzler v. Kilgore*, 3 Pen. & W. 245 (Pa. 1831) (two judgments); *Clawson v. Eichbaum*, 2 Grant 115 (Pa. 1853) (judgment and mortgage). Actual priority was always the test when a conveyance and a judgment lien were recorded on the same day. *Mechanics Bank v. Gorman*, 8 W.&S. 304 (Pa. 1844).

39. See 13 U. PITT. L. REV. 148 (1951).

40. Act of June 28, Pa. Laws 1951, act 927, § 4.

41. The problems discussed herein exist both in the case of adverse judgments and amicable judgments. In using the term "amicable judgment" the legislature was probably referring to what is known as an amicable scire facias to revive a judgment. See *Second Nat'l Bank ex rel. Federal Reserve Bank v. Faber*, 332 Pa. 124, 2 A.2d 747, 749 (1938). Whether or not cognovit notes are included in amicable judgments is immaterial since if not they are clearly within the seventh category in the Lien Priority Law which also designates leaving for entry as the crucial event.

42. Statutes in *pari materia* should be construed together, if possible, even in the absence of a saving clause, under the Statutory Construction Act. PA. STAT. ANN. tit. 46 § 562 (1952); *Kelly v. City of Philadelphia*, 382 Pa. 459, 115 A.2d 238 (1955).

sist of holding that under the Lien Priority Law a lien exists from the time of rendition, but that under the Judgment Lien Law and the Act of 1856 it is subject to subordination if after rendition but before correct indexing any lien of a person without actual notice of the judgment attaches. Under this theory since the time of rendition would be significant only when the subsequent lienor had actual notice, the provisions of the Lien Priority Law would be almost totally vitiated. The third method of reconciling the acts would require first, that the Judgment Lien Law be eliminated from consideration on the theory that the legislative intent, as evidenced by the subsequent enactment of the Lien Priority Law, was not to direct the Judgment Lien Law at the question of priority of Judgment liens, but rather at questions of acquisition, duration and revival of such liens. Then, construing the Act of 1856 with the Lien Priority Law, the result would be that, under the Lien Priority Law, the judgment lien exists from the time of rendition, but, under the Act of 1856 it is subject to subordination if, after rendition, but before correct indexing, the lien of a mortgage attaches and the mortgagee was without actual notice of the judgment. This third resolution seems to be the best since, although it does modify the plain meaning of the terms of both the Judgment Lien Law and the Lien Priority Law, it reaches reasonable results which could have been intended by the legislature. The other two constructions reach absurd results since the first amounts to an implied repeal of an act expressly saved from repeal and the second is equivalent to a holding that the saving clause repeals other sections in the same act.<sup>43</sup>

The desirability of the results obtained under each of these solutions would be best illustrated by applying them to a hypothetical fact situation.

#### A. *Judgment Lien Versus Mortgage.*

Suppose an adverse judgment is rendered in favor of C against D. After rendition and signing of the judgment by the judge, but before it is indexed correctly, M, who is without actual notice of the judgment, takes a mortgage on the land for value from D. After M has left the mortgage for record the judgment is indexed or an incorrect indexing is corrected. The question of priority would arise when the land was sold at a sheriff's sale and the proceeds were insufficient to satisfy in full both the debts owed to C and M. Under the first resolution stated above, the lien of the judgment would have priority from the time of rendition and would therefore be prior to the lien of the mortgage. Under the second and third resolutions the lien of the judgment would not have priority until indexed, and therefore the mortgagee, M, would prevail over the judgment creditor, C. It would seem that the result under either the second or third resolution is the more desirable one since it permits greater reliance on the judgment index and will result in greater certainty as to the state of a real property title. Assuming that the courts would adopt this solution

43. Absurd results are not intended by the legislature, PA. STAT. ANN. tit. 46, § 552 (1952).

another problem arises which may be illustrated by changing one fact in the above hypothetical situation — M, the mortgagee, has actual notice. — As stated above<sup>44</sup> it is arguable that the Judgment Lien Law eliminated the rule that an unindexed or improperly indexed judgment has priority over subsequent purchasers and mortgagees with actual notice. Under that theory the mortgagee with notice would prevail since as to mortgagees the lien does not arise until indexing. This would be an undesirable and inconsistent result. The better resolution of the apparent conflict between the several laws is that under which correct indexing would be required as to purchasers and mortgagees. To state that there is no lien until indexing but that it then relates back to the time of rendition creates serious conceptual difficulties. A more logical synthesis would be a theory of existence of the lien from rendition which lien may be subordinated to a subsequent mortgage of a mortgagee without actual or constructive notice. Under this rule the mortgagee with actual notice would not prevail.

Before turning to the question of priority of judgment liens over encumbrances other than those based on mortgages, including other judgment liens, one thing should be noted. The Lien Priority Law clearly controls the event which determines priority of all liens other than those based on judgments. This is because there are no prior contrary acts governing their priority which were expressly saved from repeal.

#### B. *The Priority of Judgment Liens Over Other Liens.*

The hypothetical fact situation that will be stated involves the lien of a judgment and the lien of a verdict. However, all discussion regarding this set of facts can be made equally applicable to other liens by substitution of the proper terms. Before stating the situation, though, the event from which the priority of a verdict lien is determined must be ascertained.

The Act of 1877 creating that lien provides:

"Whenever a verdict is rendered by a jury in any of the courts of common pleas of this commonwealth for any specific sum of money in such case the verdict shall be a lien upon the real estate situate within the proper county of the party or parties against whom said verdict shall be rendered, which lien shall remain unless the court grant a new trial or arrest the judgment; and it shall be the duty of the prothonotary of the court of common pleas to enter such verdict on the lien docket where judgments are entered, marking the same 'verdict,' and specifying the amount of said verdict and the date of its rendition."<sup>45</sup>

The second section of the act provides:

"In the case the court shall overrule any motion for a new trial or in arrest of judgment now pending, the lien of the verdict in such

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44. See text following footnote 28, *supra*.

45. PA. STAT. ANN. tit. 12, § 861 (1953).



shall date from the time of its rendition: Provided however, that no innocent purchasers without notice shall be prejudiced thereby.”<sup>46</sup>

The lien Priority Act provides that verdicts are liens from the time they are rendered, and this in no way conflicts with the terms of the Act of 1877. Therefore, on the face of the statutes a verdict which was rendered but not indexed, or at least not indexed correctly, before conveyance or mortgage or the attachment of another lien would be prior in time and, therefore, in right. The argument could be made that since docketing of the verdict is required the legislature intended that there be notice, actual or constructive, before the lien of a verdict would prevail over that of subsequent purchasers or lienors. The principal objection to this argument is that it is equally applicable to all liens governed by the Lien Priority Law and if applied consistently would render that law ineffective. A second argument, applicable only to verdict liens, which might be made is that a verdict lien by analogy to judgment liens is subject to the same limitations to which a judgment lien is subject under the Judgment Lien Law and the Act of 1856. Such a holding already has been made regarding the duration of verdict liens.<sup>47</sup> Under that analysis the lien of a verdict would have priority from the same event as the lien of an adverse judgment, which, as we have seen, could be either rendition, or indexing, depending upon what type of lien the contest was with. However, it is likely that both of these arguments would fail in the face of contrary statutory language. It will, therefore, be assumed in discussing the hypothetical facts posed that the priority of a verdict lien dates from rendition thereof.

After rendition of a judgment in favor of C against D, but before correct indexing thereof, a verdict for a specific sum of money is rendered against D in favor of V who had no notice of the prior judgment. D owns real property in the county.

Under the first method of construing the Lien Property Law with the Act of 1856 and the Judgment Lien Law, the judgment would become a lien upon indexing but would relate back to rendition. Therefore, the verdict lien would be junior to the lien of the judgment. Under the second theory by which the various acts were construed together, the lien of the judgment would date from rendition, but would be divested by the intervention of a lien before correct indexing, if the lienor was without actual notice. Under the third theory the lien of the judgment would date from rendition and could be divested under the Lien Priority Law only by a mortgagee without actual notice, and, therefore the judgment lien would be prior. If V, the verdict lienor, had notice of the judgment at the time

46. PA. STAT. ANN. tit. 12, § 862 (1953). Although this section still appears in Purdon's Pennsylvania Statutes Annotated as current, the words "now pending" indicate that it was intended to govern cases in which a motion was pending at the time the act was passed. The section, therefore, may now be obsolete.

47. *Fuellhart v. Thompson*, 11 Pa. Super. 273 (1899). This of course was a case in which there was no statute, not to mention a contrary statute.

the verdict was rendered only the result under the second theory would be changed. Under the first theory the judgment would date from rendition regardless of notice. Under the third the lien of the judgment can only be divested by a mortgage lien. Under the second theory the attachment of any lien after rendition but before proper indexing postpones the judgment lien unless the subsequent lienor had actual notice. The best results seem to be reached under the first and third theories and the better theory for reaching those results appears to be the third. Finding the verdict lien junior regardless of actual or constructive notice is best because the verdict lienor does not rely upon indexing since knowledge of a prior indexed judgment would not deter him from bringing the action in that the lien of a verdict is incidental to the finding of liability which is the main purpose for which the verdict is sought. It is better to reach this result, that the verdict is junior if rendered after an unindexed or improperly indexed judgment, by the third theory since that theory can be applied consistently to reach the opposite result when, instead of the lien of a verdict, the lien in question is the lien of mortgage. A mortgagee should be protected from indexing deficiencies since his is a consensual lien and in the usual situation he is giving new value for his lien and is giving that value largely in reliance on the judgment index.<sup>48</sup>

### III.

#### POSSIBLE METHODS OF PROTECTING PURCHASERS AND MORTGAGEES.

Finally, the question of whether purchasers and mortgagees or their insurers can protect themselves from these uncertainties in the law must be faced. If rendition of the judgment or verdict is held to be the time from which the lien thereof has priority regardless of whether there has or has not been correct indexing, the Judgment Lien Law and the Act of 1856 to the contrary notwithstanding, or if there is held to be unlimited relation back to rendition upon correct indexing there would be no method of protection. On the other hand if the courts hold that correct indexing is the event from which priority dates the index is complete protection for purchasers and mortgagees. A possible distinction, not heretofore mentioned, might be drawn by the courts between the normally short delay between rendition and indexing and abnormal delays caused by erroneous indexing. If this distinction were drawn the courts could hold that the

48. While it is not properly within the scope of this comment the Lien Priority Law has also created uncertainty regarding mechanics' liens. Before the Lien Property Law was enacted a mechanics' lien had priority from the time of visible commencement of the work on the property, if filed timely. *Knoell v. Canby*, 291 Pa. 531, 140 Atl. 522 (1928). Now at least one authority believes it is possible that mechanics' liens are included in the seventh category of liens listed in that act. 1 LADNER, *CONVEYANCING IN PENNSYLVANIA* § 184 (Supp. 1941-1956). If so their priority would date only from the time of leaving for entry, not from commencement of the work. However, that category refers to "instruments which when entered or filed in the prothonotary's office create liens against real property." Therefore, since mechanics' liens are not created by filing they are probably not included within the Lien Priority Law.

risk of erroneous indexing is borne by the judgment creditor, but that a purchaser or mortgagee bears the risk that he is becoming such during the normally short interval between rendition and indexing. This possible distinction was not mentioned previously because neither the terms of the statutes involved nor the cases provide a factual basis for the distinction. If it were made despite this obstacle, then purchasers and mortgagees could reduce substantially the risk of taking subject to an unknown judgment lien by having the purchaser or mortgagee pay an escrow and then record his deed or mortgage. The escrow could hold the money for a period deemed sufficient to allow any judgments rendered or left for record before the deed or mortgage was recorded to be indexed. It at the end of that period — three days would be more than safe — nothing previously rendered was indexed, the escrow would be obligated to pay the money over to the grantor or mortgagor. This precaution is recommended since, though it might be futile, it permits the purchaser or mortgagee to argue that he did all that was possible to protect himself and he should, therefore, be protected since the legislature could not have intended that he be without a means of protecting himself. This is inferable from the fact that the judgment index itself was established to protect purchasers and mortgagees.

#### IV.

#### CONCLUSION.

The inconsistencies in the above statutes are a direct result of patchwork legislation. The statutes in force relevant to the priority of judgment liens have been enacted over a period of almost two hundred years; in such a situation inconsistencies are inevitable. What is needed, therefore, is a comprehensive legislative statement of the law of judgment lien priority. It could provide that the lien of a judgment or a verdict shall attach and have priority from the time it is rendered except that, as to subsequent bona fide purchasers and subsequent bona fide mortgagees for value and without constructive or actual notice of *any* prior lien or conveyance, the judgment lien will be divested unless before such conveyance or mortgage there is correct indexing of the judgment or verdict lien in the judgment index. Such an act would clarify the priority of judgment liens, and would also eliminate many circuitry of lien problems, since if a purchaser or mortgagee had actual or constructive notice of *any* prior lien or conveyance they would be subordinated to all prior liens or conveyances.

Needless to say, until such legislation is enacted or until there has been an authoritative construction of the Lien Priority Law as it affects priority of judgment liens, purchasers, and especially mortgagees and their insurers should act as if a judgment is a lien from rendition whether indexed correctly or not.

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